

October 29, 2008

To the Chairman and Members of the Shelby County
Retirement System Board of Administration
Memphis, Tennessee

We have audited the financial statements of Shelby County Retirement System ("SCRS") for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. generally accepted auditing standards and *Government Auditing Standards*

As stated in our engagement letter dated July 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Shelby County Retirement System. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Shelby County Retirement System's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned scope and timing of the audit

We performed the audit according to the planned scope and timing previously communicated to management.

Significant audit findings

Qualitative aspects of accounting practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Shelby County Retirement System are described in note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by SCRS during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were those used in determining the actuarial valuation at year end, the actuarially determined pension contribution for the year, and those used in the valuation of certain investments at year end.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and uncorrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For informational purposes, we have attached all audit adjustments to this letter.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We requested certain representations from management that were included in the management representation letter dated October 29, 2008.

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Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SCRS's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other audit findings or issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors of SCRS. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Shelby County Retirement System Board of Administration of Shelby County Retirement System and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Thompson Dunavant PLC". The script is cursive and fluid, with the letters connected. The signature is written on a white background.

Thompson Dunavant PLC

Shelby County Retirement System

Year End: June 30, 2008

Adjusting Journal Entries

Date: 7/1/2007 To 6/30/2008

Prepared by	Manager	Partner
GEE 9/30/2008		SML 9/30/2008

AJE

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments							(79,147,405.96)		
AJE #1	6/30/2008	ACCT PAY	222	PL. 4		12,252.50			
AJE #1	6/30/2008	LEGAL	607	PL. 4	12,252.50				
To accrue payables at year end.									
					12,252.50	12,252.50	(79,159,658.46)	(12,252.50)	
AJE #2	6/30/2008	ACCT PAY	222	PL. 3		67,059.85			
AJE #2	6/30/2008	SALARIES & FB	500	PL. 3	16,562.92				
AJE #2	6/30/2008	FRINGE BENEFITS	505	PL. 3	4,448.73				
AJE #2	6/30/2008	SUPPLIES	603	PL. 3	2,565.00				
AJE #2	6/30/2008	POSTAGE	605	PL. 3	1,415.93				
AJE #2	6/30/2008	LEGAL	607	PL. 3	7,438.00				
AJE #2	6/30/2008	TELEPHONE	608	PL. 3	379.27				
AJE #2	6/30/2008	COMPUTER & EQUIPMENT	625	PL. 3	6,750.00				
AJE #2	6/30/2008	FINANCIAL CONSULT	653	PL. 3	27,500.00				
To properly adjust A/P and properly state expenses at year end.									
					67,059.85	67,059.85	(79,226,718.31)	(67,059.85)	
AJE #3	6/30/2008	ACCT PAY	222	PL.10	89,630.27				
AJE #3	6/30/2008	MONEY MGR FEE	655	PL.10		89,630.27			
To correct A/P at year end.									
					89,630.27	89,630.27	(79,137,088.04)	89,630.27	
AJE #4	6/30/2008	CLOSED END FUND	117	I.21	846,499.00				
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21	75,636.50				
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21	381,377.76				
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21	47.43				
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21		96,383.38			
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21		32,839.27			
AJE #4	6/30/2008	HEDGE FUNDS	118	I.21		751,734.00			
AJE #4	6/30/2008	COLLECTIVE TRUST	119	I.21	24.67				
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21		93.00			
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21	423,608.00				
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21	3,631,882.59				
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21		46,362.00			
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21	530,893.00				
AJE #4	6/30/2008	VENTURE CAPITAL	130	I.21		1.00			
AJE #4	6/30/2008	NET APPRECIATION	315	I.21		4,962,556.30			
To adjust alternative investment balances to supporting documentation received from 3rd parties.									
					5,889,968.95	5,889,968.95	(74,174,531.74)	4,962,556.30	
CAJE #1	6/30/2008	ACCT PAY	222	CAJE		71,331.12			
CAJE #1	6/30/2008	FINANCIAL CONSULT	653	CAJE	71,331.12				
Client entry to accrue financial consulting fees.									
					71,331.12	71,331.12	(74,245,862.86)	(71,331.12)	
CAJE #2	6/30/2008	ACCT PAY	222	CAJE		1,027,087.37			
CAJE #2	6/30/2008	CUSTODIAN	652	CAJE	66,495.47				
CAJE #2	6/30/2008	MONEY MGR FEE	655	CAJE	960,591.90				
Client entry to accrue money manager and custodian fees for invoices related to 2nd quarter 2008 services.									
					1,027,087.37	1,027,087.37	(75,272,950.23)	(1,027,087.37)	
CAJE #3	6/30/2008	ACCRUED INTEREST	140	CAJE	2,158,944.58				

Shelby County Retirement System

Year End: June 30, 2008

Adjusting Journal Entries

Date: 7/1/2007 To 6/30/2008

Prepared by	Manager	Partner
GEE 9/30/2008		SML 9/30/2008

AJE-1

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
CAJE #3	6/30/2008	DIVIDENDS REC	150	CAJE	399,208.51				
CAJE #3	6/30/2008	INTEREST INCOME	301	CAJE		2,158,944.58			
CAJE #3	6/30/2008	DIVIDEND INC	310	CAJE		399,208.51			
Client entry to accrue interest and dividends for money managers.					2,558,153.09	2,558,153.09	(72,714,797.14)	2,558,153.09	
					9,715,483.15	9,715,483.15	(72,714,797.14)	6,432,608.82	